

SAC COUNTY SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

JUNE 30, 2004 and 2003

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Sac County Solid Waste Agency  
Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean Stock	Chairperson	Sac County
Bill Gross	Member	City of Auburn
Dale Nellis	Member	City of Early
Jim Garrels	Member	City of Lake View
Ellis Byriel	Member	City of Lytton
Neil Wedeking	Member	City of Nemaha
R. G. (Butch) Hemphill	Member	City of Odebolt
Gary Hansen	Member	City of Sac City
Clarence Hansen	Member	City of Schaller
Francis Riedell	Member	City of Wall Lake
Laverne Arndt	Member	Coon Valley Township
Craig Pellersels	Member	Douglas Township
Eugene Weitzel	Member	Levey Township
George Neberhaus	Member	Eureka Township
Sharon Faber	Secretary	

# John D. Morrow

Certified Public Accountant

**Member**  
**Iowa**  
**Society**  
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March 18, 2005

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Sac County  
Solid Waste Agency:

I have audited the accompanying financial statements, as listed in the table of contents of this report, of Sac County Solid Waste Agency, Sac City, Iowa, as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of Sac County Solid Waste Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the Sac County Solid Waste Agency for the years ended June 30, 2004 and 2003, on the basis of accounting described in Note 1.

As discussed in Note 12, during the year ended June 30, 2004, Sac County Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, I have also included a report dated March 18, 2005, on the Sac County Solid Waste Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This information has not been included in this report.

SAC COUNTY SOLID WASTE AGENCY  
BALANCE SHEET  
YEARS ENDED JUNE 30, 2004 and 2003

	<u>2004</u>		<u>2003</u>	
	<u>Operating</u>	<u>Restricted for:</u>	<u>Operating</u>	<u>Restricted for:</u>
	<u>Fund</u>	<u>Closure &amp;</u>	<u>Fund</u>	<u>Closure &amp;</u>
		<u>Post Closure</u>		<u>Post Closure</u>
<b>ASSETS:</b>				
Current Assets:				
Cash & cash equivalents	\$ 52,473	\$ 46,422	\$ 18,078	\$ 22,833
Certificates of deposit	<u>580,346</u>	<u>60,152</u>	<u>590,165</u>	<u>58,361</u>
	632,819	106,574	608,243	81,194
Property and Equipment:				
SARC Building & equip.	384,218	0	383,718	0
Landfill equipment	<u>670,380</u>	<u>0</u>	<u>669,880</u>	<u>0</u>
	1,054,59	0	1,053,598	0
Accumulated depreciation	<u>306,008</u>	<u>0</u>	<u>263,368</u>	<u>0</u>
	748,590	0	790,230	0
TOTAL ASSETS	\$ <u>1,381,409</u>	\$ <u>106,574</u>	\$ <u>1,398,473</u>	\$ <u>81,194</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Bank account overdrawn	\$ 27,820	\$ 0	\$ 18,187	\$ 0
Payroll tax and				
IPERS payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	27,820	0	18,187	0
Contingent Liabilities				
<b>NET ASSETS:</b>				
Restricted for:				
Closure	0	60,152	0	58,361
Post Closure	0	46,422	0	22,833
Capital Project	0	0	0	0
Unrestricted	604,999	0	590,056	0
Temporarily Restricted	0	0	0	0
Permanently Restricted	0	0	0	0
Investment in property				
and equipment	<u>748,590</u>	<u>0</u>	<u>790,230</u>	<u>0</u>
	1,353,589	106,574	1,380,286	81,194
TOTAL LIABILITIES				
AND NET ASSETS	\$ <u>1,381,409</u>	\$ <u>106,574</u>	\$ <u>1,398,473</u>	\$ <u>81,194</u>

See accompanying Notes to Financial Statement.

SAC COUNTY SOLID WASTE AGENCY  
OPERATING FUND  
STATEMENT OF CASH TRANSACTIONS  
YEARS ENDED JUNE 30, 2003

		Operating Fund
	<u>Budget</u>	<u>Actual</u>
Receipts:		
Assessments	\$ 138,348	\$ 138,348
Tipping fees & gate charges	144,000	147,216
Interest income	<u>12,000</u>	<u>21,975</u>
	<u>294,348</u>	<u>307,539</u>
Disbursements:		
Salaries	52,856	57,200
Payroll tax	4,180	4,376
Employee benefit-Health	25,300	22,405
Employee benefit-IPERS	3,270	3,289
Employee benefit-Workmens Comp	3,000	3,677
Equipment- repair, & maint.	4,000	7,934
Gravel & Rock	2,000	338
Meeting expenses & mileage	2,300	1,197
Insurance and bonds	7,500	5,205
Machine hire & contract services	7,500	14,861
Ia. dept. of natural resources	11,612	7,323
Fuel, oil, & gasoline	6,500	6,055
Electricity & propane	2,000	1,245
Engineering & consulting	10,500	15,901
Telephone	600	377
Pest control	700	418
Supplies	2,000	11,014
Printing and supplies	900	2,965
Recycling education	1,800	160
Audit and legal	1,500	2,978
Comprehensive plan	4,330	3,210
Dues and memberships	400	369
Monitoring wells & testing	3,000	4,725
Miscellaneous	4,600	2,144
Leachate processing	1,500	1,736
Leachate transporting	5,000	4,080
SARC Reimbursements:		
Recycling costs	80,000	86,670
Equipment	8,000	18,900
Financing costs	12,500	13,241
Capital Expenditures	<u>25,000</u>	<u>0</u>
	\$ <u>294,348</u>	<u>303,993</u>
Receipts over Disbursements		3,546
Net Assets, Beginning of Year		667,210
Transfer to closure reserve account		( 22,700)
Transfer to post closure reserve account		( <u>58,000</u> )
Net Assets, End of Year		\$ <u>590,056</u>

See accompanying Notes to Financial Statement.

SAC COUNTY SOLID WASTE AGENCY  
CLOSURE/POST CLOSURE RESERVE FUND  
STATEMENT OF CASH TRANSACTIONS  
YEAR ENDED June 30, 2003

Receipts:

Contributions from Sac County Solid Waste Agency	\$ 80,700
Interest on investments	<u>494</u>
	81,194

Disbursements:

None	<u>0</u>
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Receipts over (under) disbursements	81,194
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Balance beginning of year	<u>0</u>
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Balance end of year	\$ <u><u>81,194</u></u>
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See accompanying notes to financial statements.



SAC COUNTY SOLID WASTE AGENCY  
STATEMENT OF CASH FLOW  
YEARS ENDED JUNE 30, 2003

	Operating <u>Fund</u>
Cash flows from operating activities:	
Cash received from assessments	\$ 138,348
Cash received from tipping fees	147,216
Interest received	21,975
Cash payments to employees for services	( 90,947)
Cash payments for goods and services	<u>(194,146)</u>
 Net cash provided by operating activities	 22,446
 Cash flows from investing activities:	
Redeem certificates of deposit	57,367
Purchase of certificates of deposit	( 18,497)
Transfer to closure/post closure reserve accounts	( 80,700)
Purchase of equipment	<u>( 18,900)</u>
 Net cash used by investing activities	 ( <u>60,730</u> )
 Net increase in cash and cash equivalents	( 38,284)
Cash and cash equivalents - beginning of year	<u>38,175</u>
 Cash and cash equivalents - end of year	 \$ ( <u><u>109</u></u> )

See accompanying Notes to Financial Statement.

SAC COUNTY SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sac County Solid Waste Agency was created in 1974 by virtue of power granted by Chapter 28E of the 1971 Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities for the political subdivisions of Sac County.

The governing body of the Agency is composed of one representative from each of the nine members cities, one representative from Sac County supervisors and one township trustee from each of the four quarters. The member cities are: Auburn, Early, Lake View, Lytton, Nemaha, Odebolt, Sac City, Schaller, Wall Lake. The commissioners are appointed by the participating political subdivisions.

Reporting Entity

For financial reporting purposes, Sac County Solid Waste Agency has included all funds, organization, agencies, boards, commissioners and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Government Accounting Standard Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on the organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate set of self-balancing accounts which comprise its receipts and disbursements. The general operating fund of the Agency is used for all receipts. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs. The Agency has not established a Construction Fund or a Closure/Post Closure Reserve Fund.

The Construction Fund would be used to account for all resources used in the acquisition or expansion and construction of capital facilities.

The Closure/Post Closure Reserve Fund is utilized to account for all monies held by the Agency to meet the closure and post closure care requirements for solid waste landfills by the Environmental Protection Agency.

Basis of Accounting:

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items including the estimated costs for closure and post closure care costs. Accordingly, the financial statements do not present financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

SAC COUNTY SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget

The Agency annually adopts a budget on the cash basis of accounting. The annual budget may be amended during the year by utilizing prescribed procedures. All unused appropriations of the annually adopted budget lapse at year end.

NOTE 2 CASH AND CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSITS

The Agency's deposits at June 30, 2003, include all liquid bank accounts. The cash and cash equivalent account includes demand deposit and savings accounts. The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. The Agency's cash, cash equivalents and certificates of deposit balances composition at June 30, 2003, consists of the following:

	<u>2003</u>
Demand deposits	\$ 3,550
Savings-general operating	4,306
Savings-DNR fees retained	5,260
Certificates of deposit	<u>590,165</u>
	603,281
Deposits in transit	0
Less outstanding warrants	( 13,225)
Balance	\$ <u>590,056</u>

NOTE 3 SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using those portions of solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee may be retained but must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure or post closure cost plan, (3) development of a plan for the control and treatment of leachate which may include a facility plan or detailed plans and specifications, and (4) preparation of a financial plan. Seventy five cents of the retained fund shall be disbursed to a city, county, or public agency using the sanitary disposal project for the purpose of implementation of waste volume reduction and recycling required by the Agency's approved comprehensive plan. The fees retained may also be used for other environmental protection and environmental compliance activities. The Agency retains an additional per ton fee to be used for waste reduction, recycling, or small business pollution prevention purposes.

	Comprehensive Planning <u>Account</u>	Waste Reduction And Recycling <u>Account</u>
Solid Waste Tonnage fee imposed	\$ 1,595	\$ 2,810
Expenditures in current fiscal year	3,210	2,810

At June 30, 2003, the Agency had no unspent tonnage fees.

SAC COUNTY SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2004 AND 2003

NOTE 4 LANDFILL ASSESSMENT

Each Member of the Agency is assessed \$12.00 per capita for landfill fees to be paid quarterly. Each member's assessment is as follows:

	2000 U.S. Census <u>Population</u>	2004 <u>Amount</u>	2003 <u>Amount</u>
Sac County	3,802	\$ 45,624	\$ 45,624
Sac City	2,368	28,416	28,416
Odebolt	1,153	13,836	13,836
Lake View	1,278	15,336	15,336
Wall Lake	841	10,092	10,092
Schaller	779	9,348	9,348
Early	605	7,260	7,260
Lytton	305	3,660	3,660
Auburn	296	3,552	3,552
Nemaha	102	1,224	1,224
	<u>11,529</u>	\$ <u>138,348</u>	\$ <u>138,348</u>

NOTE 5 PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Agency's total contribution to IPERS for the year ended June 30, 2004 was \$3,391 and June 30, 2003 was \$3,289 equal to the required contributions for the year.

NOTE 6 RECYCLING AGREEMENT FOR SAC AREA RECYCLING CENTER

The Sac County Solid Waste Agency, on July 1, 2000, renewed the recycling agreement to purchase exclusive recycling services from the Howard Center, Inc., on a cost minus sales revenue basis. The Sac County Solid Waste Agency agreed to pay Howard Center, Inc.'s actual cost of recycling, minus the amount of funds received through the sales of recyclable materials. The recycling costs are recorded by the Agency on the cash basis. The above cost reported on the cash basis verses accrual basis for the prior 3 years is follows:

	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Basis</u>
Recycling Costs for the year ended June 30, 2004	\$ 89,779	\$ 82,337
Recycling Costs for the year ended June 30, 2003	86,670	77,733
Recycling Costs for the year ended June 30, 2002	93,912	98,070

SAC COUNTY SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2004 AND 2003

NOTE 7 FINANCIAL ASSURANCE PLAN - CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate ( the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these cost each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring care, (2) the cost of final cover (material and labor), (3) the cost of monitoring and landfill during the post-closure period and, (4) the cost of any environmental cleanup required after closure. Estimated total cost would be based on the cost of purchase those services and equipment currently and would be required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Sac County Solid Waste Agency have been estimated at \$55,314 for closure and \$677,100 for post closure, for a total of \$732,414. The estimated remaining life of the landfill is over 30 years.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Agency has begun to accumulate resources to fund these costs and, at June 30, 2004, assets of \$106,574 are restricted fo these purposes, of which \$60,152 is for closure and \$46,422 is for post-closure care. They are reported as restricted assets and restricted net assets on the Balance Sheet.

	<u>Closure</u>	<u>Post-closure</u>
Total estimated costs for closure and post-closure care	\$ 55,314	\$ 677,100
Less: Balance of funds held in the local dedicated fund		
At June 30, 2003	( 58,361)	( 22,833)
	( 3,047)	654,267
Divided by the number of years remaining	<u>/ 30</u>	<u>/ 30</u>
Required payment into dedicated fund	0	21,809
Balance of funds held in the local dedicated fund	<u>58,361</u>	<u>22,833</u>
Required balance of fuds to be held in the dedicated fund	<u>55,314</u>	<u>44,642</u>
Amount Agency has restricted for closure and post-closure	\$ <u>60,152</u>	\$ <u>46,422</u>

SAC COUNTY SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2004 AND 2003

NOTE 8     WASTEWATER TREATMENT

A Wastewater Treatment Agreement was entered into with the City of Sac City to provide treatment of leachate by use of its wastewater treatment facilities beginning after July 1, 1996. The Sac County Solid Waste Agency shall pay for treatment by the Sac City wastewater facilities the sum of \$100.00 per month plus \$4.00 for the first one thousand (1,000) gallons, and \$1.80 per one thousand (1,000) gallons thereafter per month plus \$0.25/lb for CBOD5 in excess of 200 mg/l, \$0.11/lb for TSS in excess of 200 mg/l and \$1.93/lb for NH3 in excess of 25 mg/l.

NOTE 9     ORGANIZATION RISK MANAGEMENT

Sac County Solid Waste Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operation funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2004 was \$5,561 and June 30, 2003 was \$ 5,128.

SAC COUNTY SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2003

NOTE 9 ORGANIZATION RISK MANAGEMENT (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000 such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Agency's financial statements. Settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with the employee bond. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SAC COUNTY SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2004 AND 2003

NOTE 10 PROPERTY AND EQUIPMENT

Property and equipment are accounted for at original cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and lease improvements are amortized over forty years and equipment is depreciated over a fifteen to twenty year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any cash received recorded in current operations.

June 30, 2004					
Cost					
	Balance 7/01/2003	Additions	Disposals	Balance 6/30/2004	
SARC	\$ 383,718	\$ 500	\$ 0	\$ 384,218	
Landfill	<u>669,880</u>	<u>500</u>	<u>0</u>	<u>670,380</u>	
	<u>\$ 1,053,598</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 1,054,598</u>	
Accumulated Depreciation					
	Balance 7/01/2003	Current Year Provision	Disposals	Balance 6/30/2004	Investment Value
SARC	\$ 118,811	\$ 14,838	\$ 0	\$ 133,649	\$ 250,569
Landfill	<u>144,557</u>	<u>27,802</u>	<u>0</u>	<u>172,359</u>	<u>498,021</u>
	<u>\$ 263,368</u>	<u>\$ 42,640</u>	<u>\$ 0</u>	<u>\$ 306,008</u>	<u>\$ 748,590</u>
June 30, 2003					
Cost					
	Balance 7/01/2002	Additions	Disposals	Balance 6/30/2003	
SARC	\$ 364,818	\$ 18,900	\$ 0	\$ 383,718	
Landfill	<u>669,880</u>	<u>0</u>	<u>0</u>	<u>669,880</u>	
	<u>\$ 1,034,698</u>	<u>\$ 18,900</u>	<u>\$ 0</u>	<u>\$ 1,053,598</u>	
Accumulated Depreciation					
	Balance 7/01/2002	Current Year Provision	Disposals	Balance 6/30/2003	Investment Value
SARC	\$ 104,335	\$ 14,476	\$ 0	\$ 118,811	\$ 264,907
Landfill	<u>117,019</u>	<u>27,538</u>	<u>0</u>	<u>144,557</u>	<u>525,322</u>
	<u>\$ 221,354</u>	<u>\$ 42,014</u>	<u>\$ 0</u>	<u>\$ 263,368</u>	<u>\$ 790,230</u>



SAC COUNTY SOLID WASTE AGENCY  
NOTES TO FINANCIAL STATEMENT (continued)  
JUNE 30, 2004 AND 2003

Note 11 RELATED PARTY

A member of the Agency's board owns and operates a transportation company which transports leachate for Sac County Solid Waste Agency. For the fiscal year ending June 30, 2004 and 2003 the total transportation charges paid to this company totaled \$ 0 and \$4,080, respectively.

Note 12 PROSPECTIVE ACCOUNTING CHANGE

The Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Agency.

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March 18, 2005

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Members of the Sac  
County Solid Waste Agency  
Sac City, Iowa 50583

I have audited the financial statements of Sac County Solid Waste Agency as of and for the year ended June 30, 2004 and 2003, and have issued my report thereon dated March 18, 2005. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, I performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. Any instances of non-compliance are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 and 2003, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Agency's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions relate to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Sac County Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

Independent Auditor's  
Report on Compliance and on Internal  
Control Over Financial Reporting  
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My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use by the members of Sac County Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

SAC COUNTY SOLID WASTE AGENCY  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2004 AND 2003

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

(A) Financial Assurance Funds

Comment - As disclosed in the Notes to Financial Statement Note 7, the Agency has Established a Closure/Post Closure Reserve Fund.

Recommendation - The Agency should review the restrictive nature of these accounts as they relate to identifying the accounts and identifying transactions on these accounts.

Response - The recommendation will be considered.

Conclusion - The accounts will be reviewed.

(A) Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted one person has significant control over collection, depositing, journalizing, posting, and reconciling.

Recommendation - With limited personnel, segregation of duties is not possible. Therefore, review by the governing body of the employee's operating procedures in recording financial transactions and preparing reconciliations is important. Such reviews by independent persons should be documented to the extent possible.

Response - The Agency will assess the necessity of changes if increased control can be facilitated.

Conclusion - Agency policy will be reviewed.

(B) Agency approval and payment of restricted fund expenditures

Comment - The Solid Waste tonnage fees retained are being segregated and specifically identified. Expenditures of these funds are not being disbursed from the segregate accounts.

Recommendation - Specific approval of the purpose of the expenditure of these funds should be recorded in the Agency's minutes and paid from the specified funds bank account.

Response - The board will consider this recommendation.

Conclusion - Agency's financial procedures will be reviewed.

Other Findings Related to Statutory Requirements:

(1) Official Depositories - A resolution naming official depositories has been approved by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

(2) Disbursements - I noted no disbursements that may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

(3) Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

(4) Agency Minutes - Except as noted in the comments and recommendations, no transactions were found that I believe should have been approved in the Agency minutes but were not.

(5) Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy.

(6) Solid Waste Fees Retainage - During the year ended June 30, 2004, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

(7) Financial Assurance - The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.